

REMARKS

Reconsideration and allowance are respectfully requested.

REQUEST FOR TELEPHONIC INTERVIEW

The undersigned is new counsel for this case which has a long prosecution history. In a telephone message received by the undersigned in response to a request for interview, SPE Ryan Zeender indicated that the Examiner would be out of the office for more than three weeks. Accordingly, Applicants have filed this response but specifically also a request a telephonic interview with the Examiner and SPE Zeender before another action is issued to discuss claim 1 as an example claim, the §103 rejection, the NASD reference, and the Patterson reference and to discuss if there is a way forward to bring this application to allowance.

RESPONSE TO REJECTION

Claims 1, 4, 5, 7-12 and 14-37 stand rejected under 35 U.S.C. §103 as allegedly being unpatentable based on the NASD reference in view of Patterson et al. (US 5,797,002). This rejection is respectfully traversed.

Claim 1 recites: “one or more computer systems, ... comprising an interface configured to provide a single, common point of entry for ... order delivery systems and quote entry systems ... instructions to manage order routing/execution to provide for orders ... either executions to the electronic trading system or routing of orders to external systems ... receive, ... a request to cancel an execution of one of the received orders of the market participant participating in the trading facility as an entity that has automatic executions of its orders ... determine whether or not the one of the received orders has not yet been executed by the electronic trading system ... cancel the order if the one of the received order has not been executed; and send a message to a

system of the market participant to deny the request to cancel if the one of the received orders has been executed.”

The NASD reference is admitted to lack “to receive by the computer system, a request to cancel execution of one of the received orders, to cancel the order if the order has not been executed, or to deny the request to cancel if the order has already been executed.” For this the examiner relies on Patterson. But NASD further teaches away from this feature and from the combination to use Patterson’s request to cancel.

NASD describes problems with managing multiple points of execution on page 4:

While SOES and SelectNet each provide valuable services to market participants for the benefit of investors, there are a number of problems associated with maintaining these two separate systems side-by-side, which are well understood by the SEC, NASD, and market participants. Most troublesome are the problems members have in managing multiple points of execution. This manifests itself most noticeably when a market maker's quote is subject to multiple access virtually simultaneously, through a combination of SOES and SelectNet, from the same or different market participants. Because the Firm Quote Rule obligates a member to execute orders presented to it at its displayed quote, a firm may be subject to unintended double liability while trying to effectively manage executions from SOES and liability orders from SelectNet at the same time. This is compounded further when market makers also are handling orders received by phone as well as orders within their own internal execution systems.

NASD describes on page 5 “integration” of SOES and SelectNet to one communications facility (quote repeated below for convenience). But the only details given are “a System feature to provide market makers with a means to indicate to staff of NASDR that the market maker has received an order via the telephone to trade at the market maker’s Nasdaq-displayed quotation and that for a period of time while the System market maker handles the telephone order, the System should not deliver additional orders for execution.” This approach to solving dual liability is entirely different to that which is claimed. Given this solution, there is no

Given these practical and regulatory problems, the NASD and Nasdaq believe that it would be prudent to combine the two systems as soon as practicable. Integration would facilitate the orderly processing of electronic orders through one communications facility while easing associated regulatory and compliance burdens. In addition, to assist market makers in complying with the Firm Quote Rule, Nasdaq is proposing a System feature to provide market makers with a means to indicate to staff of NASDR that the market maker has received an order via the telephone to trade at the market maker's Nasdaq-displayed quotation and that for a period of time while the System market maker handles the telephone order, the System should not deliver additional orders for execution. ¹⁸ This "Firm Quote Compliance Facility" will create an electronically time stamped record that will be critical in NASDR's efforts to reconstruct activity that may involve backing away. ¹⁹

In developing an integrated System, Nasdaq seeks to provide the most equitable and efficient means of access among market participants. A key design requirement of such a system dictates that orders communicated through Nasdaq be delivered in strict time priority, regardless of whether the order is sent to a specific participant (directed) or to any participant at the best available quote (non-directed). This would be impossible in the current environment given the nature of two separate and asynchronous order delivery and execution systems. Most importantly, this also will assist market makers in managing their displayed quotations, further enhancing the efficiency of the market.

reason for a person of ordinary skill in the art, absent improper hindsight reconstruction based on Applicants' claims, adopt a completely different solution that is performed by a computer system and in which the computer system responds a request to cancel execution of a received order that is normally automatically executed and cancels that order if it has not been executed or denies the request to cancel if the order has already been executed.

Patterson likewise does not even recognize the problem nor provide a solution corresponding to what is claimed. While the Examiner can reach the claimed solution "as a matter of logic" after reading the instant application and claims, this is not the proper obviousness analysis. The fact remains that there simply is no teaching of the claimed approach.

Patterson discloses a wireless communication system for a manual trading system and not an electronic trading system. The wireless devices permit a clerk to send instructions for floor brokers rather than using paper-based systems (col. 6, lines 44-46). This is a completely

different type of trading system that is based on people making trades rather than machines.

Even if Patterson recognized the dual liability problem—which Patterson does not—that solution would necessarily be human-based in order to function in Patterson’s human-based trading exchange. Neither of Patterson’s wireless devices is a collector facility that is used by an electronic trading system. Manually sending a cancel order request from a clerk to a human broker, who then manually cancels an order, is not a teaching of computer instructions executed by an electronic trading system collector facility “...to receive ... from a market participant system, a request to cancel an execution of one of the received orders of the market participant participating in the trading facility as an entity that has automatic executions of its orders ... determine whether or not the one of the received orders has not yet been executed ... cancel the order if the ... received order has not been executed ... and send a message to a system of the market participant to deny the request to cancel if the one of the received orders has been executed.”

Although the Examiner tries to limit what he is using Patterson for in the rejection, the Patterson reference must be viewed as a whole including the many portions that teach away and undermine the proposed rejection. The words “request to cancel” cannot simply be extracted in a vacuum and combined “logically” with NASD. In addition to Patterson teaching a totally different kind of trading exchange where people perform trading, Patterson also lacks, and in fact, cannot use auto-execution of orders. So a request to cancel an order of a market participant that has automatic order execution is completely foreign to Patterson’s human trader/broker exchange.

SERKIN et al.
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Regarding claims 14 and 20 these claims are allowable for analogous reasons as those given for claim 1. Regarding the dependent claims these claims are allowable at least because of their dependency on claims 1, 14 or 20.

The application is in condition for allowance. An early notice to that effect is requested. The Commissioner is hereby authorized to charge any deficiency, or credit any overpayment, in the fee(s) filed, or asserted to be filed, or which should have been filed herewith (or with any paper hereafter filed in this application by this firm) to our Account No. 14-1140.

Respectfully submitted,

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